

Message Text

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PAGE 01 TORONT 01176 271520Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 PA-02 DOTE-00 ICAE-00 SSO-00
INRE-00 /057 W

-----054033 271524Z /50

O 271350Z JUN 78
FM AMCONSUL TORONTO
TO SECSTATE WASHDC IMMEDIATE 7420
INFO AMEMBASSY OTTAWA IMMEDIATE

UNCLAS TORONTO 1176

E.O. 11652: N/A
TAGS: ETRD, TGEN, SOPN, CA
SUBJECT: VOLKSWAGEN DUTY REMISSION ORDER

1. FOLLOWING NEWS RELEASE RECEIVED BY CONGEN JUNE 26.
2. QUOTE - OTTAWA, JUNE 26, 1978 -- INDUSTRY, TRADE AND COMMERCE MINISTER JACK H. HORNER TODAY ANNOUNCED IN A NEWS CONFERENCE IN TORONTO THAT THE CANADIAN GOVERNMENT SUCCESSFULLY NEGOTIATED A DUTY REMISSION ORDER WITH VOLKSWAGEN CANADA LIMITED WHICH WILL RESULT IN INCREASED PRODUCTION AND EMPLOYMENT IN THE CANADIAN AUTOMOTIVE PARTS PRODUCING INDUSTRY.

THE REMISSION SCHEME, ESTABLISHED UNDER SECTION 17 OF THE FINANCIAL ADMINISTRATION ACT, WILL PERMIT VALUE FOR DUTY OF PASSENGER AUTOMOBILES IMPORTED INTO CANADA BY VOLKSWAGEN FROM ANY SOURCE TO BE REDUCED BY AN AMOUNT RELATED TO THE CANADIAN VALUE ADDED (CVA) IN AUTOMOTIVE COMPONENTS EXPORTED BY OR ON BEHALF OF VOLKSWAGEN TO ANY DESTINATION.

UNDER THE ORDER NEGOTIATED, A THRESHOLD LEVEL OF CVA HAS BEEN ESTABLISHED WHICH GOVERNS THE RATE OF DUTY
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REMISSION. IN THE MODEL YEAR 1978-1979, THE THRESHOLD LEVEL WAS ESTABLISHED AT 12 PERCENT OF THE TOTAL VALUE FOR DUTY OF ALL PASSENGER AUTOMOBILES IMPORTED INTO CANADA BY VOLKSWAGEN DURING THE MODEL YEAR. THIS PERCENTAGE WILL BE SET AT 18 PERCENT IN THE FOLLOWING MODEL YEAR AND AT 24 PERCENT IN EACH SUBSEQUENT MODEL YEAR.

ON ANY CVA BELOW THE THRESHOLD LEVEL, REMISSION OF DUTY WILL BE AT A REDUCED RATE. FOR THE FIRST HALF OF THE THRESHOLD AMOUNT IN EACH MODEL YEAR, DUTY REMISSION WILL BE AT THE RATE OF 40 PERCENT OF FULL REMISSION AND AT 75 PERCENT OF FULL REMISSION FOR THE SECOND HALF. IN ANY MODEL YEAR, ONCE THE THRESHOLD LEVEL FOR THE YEAR IS EXCEEDED, FULL DUTY REMISSION WILL APPLY. ON IMPORTS OF PASSENGER AUTOMOBILES FROM MOST FAVORED NATION COUNTRIES, THE RATE OF DUTY IS 15 PERCENT. FEDERAL SALES TAX WILL NOT APPLY ON THE AMOUNT OF CUSTOMS DUTY REMITTED.

MR. HORNER ADDED: "I AM OPTIMISTIC THAT THE EXPANDED AUTOMOTIVE COMPONENTS REMISSION SCHEME WILL LEAD TO A SIGNIFICANT INCREASE IN PRODUCTION AND EMPLOYMENT IN THE AUTOMOTIVE PARTS INDUSTRY. VOLKSWAGEN HAS ALREADY INDICATED THAT THEY EXPECT PARTS PURCHASES IN CANADA TO REACH DOLS 40 MILLION WITHIN FIVE YEARS. THE VOLKSWAGEN ORDER REPRESENTS A FIRST STEP TOWARD NEGOTIATING ORDERS WITH REPRESENTATIVES OF OTHER OFF-SHORE MORE VEHICLE MANUFACTURERS." UNQUOTE. DIGGINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRODUCTION, EMPLOYMENT, POLLUTION CONTROL, PRESS RELEASES, NEGOTIATIONS, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TORONT01176
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780266-0284
Format: TEL
From: TORONTO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780614/aaaaamcf.tel
Line Count: 82
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9563e57e-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2186970
Secure: OPEN
Status: NATIVE
Subject: VOLKSWAGEN DUTY REMISSION ORDER
TAGS: ETRD, TGEN, SOPN, CA, VOLKSWAGEN
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/9563e57e-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014